

CHAPTER I

INTRODUCTION

The introduction of research is highly crucial, because as the beginning of all research. This chapter include the research background, research problem, research questions and objectives, significance of the research, and outline of the research.

1.1 Research Background

Since the beginning of civilization, people has been obsessed with the terms of beauty. When it comes to cosmetics, its use can be traced back to the times of ancient civilizations. The Egyptians began using the cosmetics around 3100 BC and considered it as an important part of the society daily life routine (El-Kilany and Raof, 2017). Thus far, cosmetics have become a very important necessity especially among women and seem to be a primary need for some women (Gunawan and Susanti, 2019).

Every year, there are newer advancements and developments in various economic sectors that have major effects on entire global industries (Liao, et al., 2017). One of the industries that has been continuously expanding and developing is the global beauty industry market (Gerstell, et al., 2020). One of the segments of the beauty industry that plays an important role is the cosmetic market. On 2018, the market was valued at US\$507.8 billion, and by 2025, the value of the market was projected at about US\$758.4 billion. Furthermore, it's projected to grow even bigger. This shows how the billion-dollar beauty industry is still innovating and showing progress (Statista, 2020).

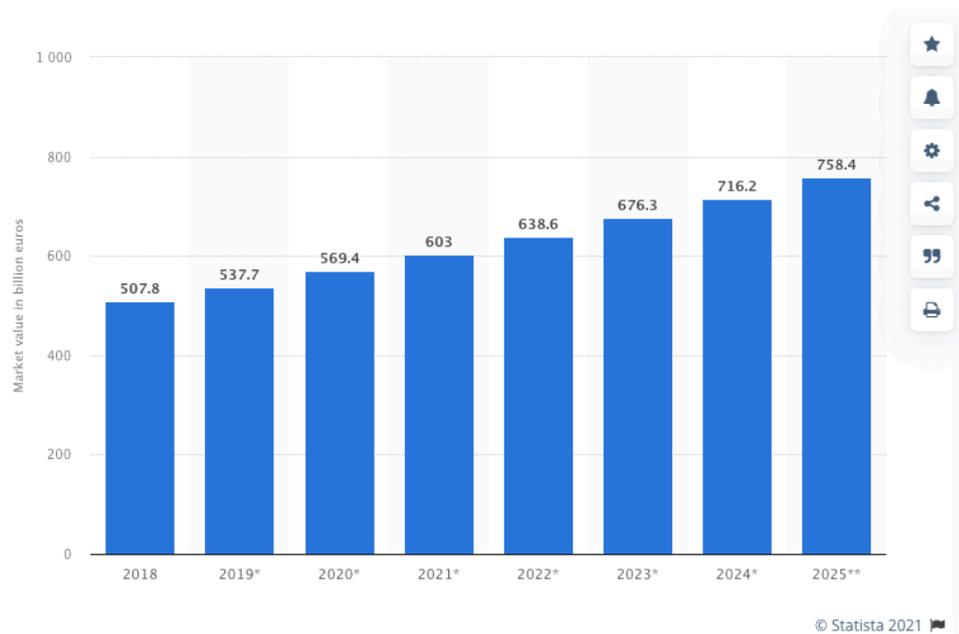


Figure 1.1 Value of the Cosmetic Market Worldwide from 2018 to 2025 (in billion US\$)
Source: Statista (2020)

By geography, the cosmetic market shares of the world are dominated in Asia Pacific Region, accounting for more than 40% of the total market. One of the factors driving the rise of cosmetics is the rise of the middle class in countries like China, Vietnam, and Indonesia (Statista, 2020). Based on data from Euromonitor (2018), Indonesia is one of the countries that has experienced high growth in the cosmetic sector in Asia. In 2019, the Indonesian cosmetic industry is valued at US\$6.03 billion, The Ministry of Industry forecasts that the value of the Indonesian cosmetic industry will soon reach US\$8.46 billion by 2022 (Kemenperin.go.id, 2020). This makes Indonesia's cosmetics industry remains attractive to domestic and foreign investors. Of the many reasons, the ultimate reason is that Indonesians are increasingly seeing health and cosmetics as a way of lifestyle. It is also known that people living in big cities are the largest consumer of cosmetic products in Indonesia (Business Indonesia, 2019).

Table 1.1 World's Biggest Cosmetics Companies: Top Ten by Revenue

Companies	Revenue (in US\$)
L'Oréal	\$31.95bn
Unilever	\$22.17bn
Estée Lauder	\$14.2bn
Procter & Gamble	\$14bn
Shiseido	\$8.39bn
L Brands	\$7.24bn
Natura & Co	\$7.23bn
Beisdorf	\$6.28bn
LVMH	\$5.99bn
Chanel	\$5.3bn

Source: WWD, 2020

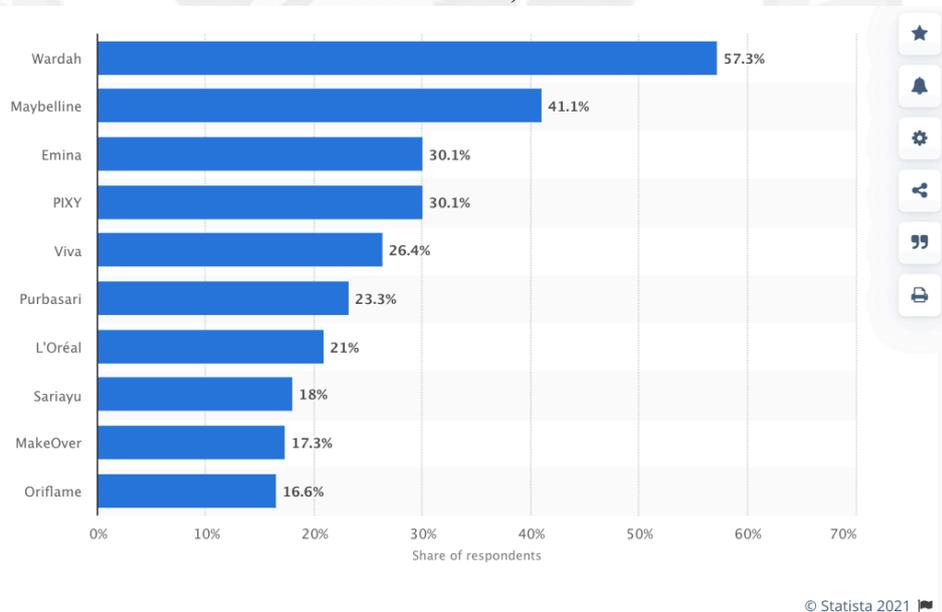


Figure 1.2 Most Popular Makeup Brands among Consumers in Indonesia as of August 2020
Source: Statista (2021)

The global cosmetic market is dominated by established players, such as L'Oréal Group, Unilever, Estée Lauder, and Procter & Gamble. If combined, these

companies generated 85.72% of the worldwide revenue in 2020 (WWD, 2020). On the leading place, L'Oréal Group, is facilitated by one of their subsidiaries, Maybelline New York, as the number one cosmetic brand in the world (Euromonitor, 2020). First founded in 1915, Maybelline New York continues to hold special appeal to its customer. Until now, Maybelline New York is available in over 120 countries (L'Oréal, 2021).

Even though Maybelline New York is the world's number one makeup brand, in Indonesia, Maybelline New York still ranked number two, behind the Indonesian cosmetic company, Wardah. This is contrary to the study conducted by Karoui and Khemakhem (2019) which stated that in developing countries like Indonesia, customers usually prefer products from developed countries because they believe they are more high quality.

Maybelline New York may be over a hundred years old, but in order to continue being in the leading position in the global cosmetic market, the company needs to maintain its customer satisfaction and loyalty. Market developments show that competition among companies is intensifying, which causes customers being more selective in choosing products to meet their needs (Wahyuni et al, 2018). With the increasing competition, companies need to realize how essential it is to provide the best on every aspect of their products so that customer satisfaction is obtained after using the product. Companies also need to increase customer loyalty, which is known as the engine that drives the success of a business (Fernandes, 2021).

To discover the reasons that can promote consumer satisfaction and customer loyalty to a brand, it is very important for companies to continue to improve and

evaluate what things can be done so that customer satisfaction and loyalty can be maintained. According to research conducted by Abdi (2013) and Indarto et al. (2018), some factors that can increase customer satisfaction and customer loyalty are country of origin, brand image, and product attributes.

A brand that comes from a country that has a positive image can be benefited because the brands can be associated with that country. Country of origin affects the overall product evaluation process, which also influences consumers' emotions in the form of pleasure or disappointment resulting from comparing the real existence of the product to the consumer's expectations for the product (Nainggolan and Hidayat, 2020). Building a good brand image is also needed, for brand image represents the overall perception of the brand and is formed and maintained in the consumer's mind (Kotler and Keller, 2016). Other than that, companies are required to develop their products so that they have certain characteristics or attributes. If the company can distinguish its products from other products, this can become an attraction for the brand (Nugroho et al., 2015). The strategy of developing products through brand image and product attributes is considered very necessary to provide customer satisfaction and loyalty (Indarto et al., 2018).

Therefore, this research wants to critically examine how country of origin, brand image, and product attributes has an effect on customer satisfaction and customer loyalty towards the number one cosmetic brand in the world, Maybelline New York in Jakarta Metropolitan Area.

1.2 Research Problem

In 2019, the number one Health and Beauty outlet network in Indonesia, Guardian, conducted a survey on more than 5000 Indonesian respondents about various health and beauty brands, both local and international in four categories: Cosmetics, Skincare, Health Care and Personal Care. This survey was conducted to find out which brands are the most favorite and popular in demand by consumers in Indonesia. The survey proved that the most favorite and popular cosmetic brands by order are Maybelline, Emina, Wardah (Pressrelease.id, 2019).

However, Statista (2020) conducted a survey to find out the “Most Popular Makeup Brands among Consumers in Indonesia on 2020” and it shows that Maybelline New York only ranked second under one of the companies from Indonesia, Wardah as the most popular cosmetic brand. This phenomenon encourages the researcher to analyse and evaluate the indicators or elements that are important in building customer satisfaction and customer loyalty. Therefore, this research aims to build a proposed model to explain the relationship of country of origin, brand image, and product attributes to customer satisfaction and customer loyalty towards Maybelline New York at Jakarta Metropolitan Area.

1.3 Research Questions

Based on the research background and research problem, there are several questions were raised during conducting this research, as follows:

1. Does Country of Origin have a positive effect on Customer Satisfaction towards Maybelline New York in Jakarta Metropolitan Area?

2. Does Brand Image have a positive effect on Customer Satisfaction towards Maybelline New York in Jakarta Metropolitan Area?
3. Does Product Attributes have a positive effect on Customer Satisfaction towards Maybelline New York Cosmetics in Jakarta Metropolitan Area?
4. Does Brand Image have a positive effect on Customer Loyalty towards Maybelline New York in Jakarta Metropolitan Area?
5. Does Product Attributes have a positive effect on Customer Loyalty towards Maybelline New York Cosmetics in Jakarta Metropolitan Area?
6. Does Customer Satisfaction have a positive effect on Customer Loyalty towards Maybelline New York in Jakarta Metropolitan Area?

1.4 Research Objectives

Based on the research question, research objectives can be stated as below:

1. To examine whether Country of Origin has a positive effect on Customer Satisfaction at Maybelline New York in Jakarta Metropolitan Area
2. To examine whether Brand Image has a positive effect on Customer Satisfaction at Maybelline New York in Jakarta Metropolitan Area
3. To examine whether Product Attributes has a positive effect on Customer Satisfaction at Maybelline New York in Jakarta Metropolitan Area
4. To examine whether Brand Image has a positive effect on Customer Loyalty at Maybelline New York in Jakarta Metropolitan Area
5. To examine whether Product Attributes has a positive effect on Customer Loyalty at Maybelline New York in Jakarta Metropolitan Area

6. To examine whether Customer Satisfaction has a positive effect on Customer Loyalty at Maybelline New York in Jakarta Metropolitan Area

1.5 Research Scope

This research has a limited scope in the following conditions:

1. This research is conducted in Indonesia.
2. The research only discusses country of origin, brand image, product attributes, customer satisfaction, and customer loyalty.
3. The respondents in this research are customers who know and use Maybelline New York products

1.6 Significance of the Study

This research contributes to the following general views and practical implications, as follows:

1.6.1 For Researchers

This research is expected to help researchers understand the effect of country of origin, brand image, and product attributes on customer satisfaction and customer loyalty towards Maybelline New York in Jakarta Metropolitan Area. It is also expected to add experience to develop the understanding in the field of International Business.

1.6.2 For Business School

This research is proposed to be used as a reference for developing economics and management issues as well as a reference material for further

research on the country of origin, brand image, and product attributes on customer satisfaction and customer loyalty.

1.6.3 For Business Owners or Corporations

This research is expected to contribute ideas that can be used as consideration for companies regarding the importance of country of origin, brand image, and product attributes on customer satisfaction and customer loyalty towards Maybelline New York in order to become a leading cosmetic brand in Indonesia.

1.6.4 For the Next Researchers

This research is intended to contribute to increasing the literature for the next researcher who will discuss Maybelline New York in Jakarta Metropolitan Area. As well as the factors that affect customer satisfaction and loyalty.

1.7 Research Outline

1.7.1 CHAPTER I: INTRODUCTION

The first chapter introduces the topics covered in this study, and it is hoped that readers can understand the results of the study. This chapter consists background of the research, research problem, research question and objectives, research scope, the significance of the study, and the systematic outline of the research.

1.7.2 CHAPTER II: LITERATURE REVIEW

The second chapter consists of the theoretical background of each variable, both dependent and independent variables. This chapter will review the

relevance of previous studies to the research and provide the conceptual framework of the research hypothesis.

1.7.3 CHAPTER III: RESEARCH METHODOLOGY

The third chapter outlines the analytical methods used in the study, including an explanation of each variable and the types of data used. This chapter will also examine and measure the relationship between variables which consist of types of research, research design, and the method of data collection.

1.7.4 CHAPTER IV: RESULT & DISCUSSION

The fourth chapter consists of the results of the relevant research and data analysis, which are obtained by statistical examination to find the correlation of the relationship between variables in this research. The results of the discussion will provide answers to research questions and provide research conclusions

1.7.5 CHAPTER V: CONCLUSION & RECOMMENDATION

The fifth chapter describes the findings obtained from the research in summary and recommendations about how the shortcomings in the research carried out and how the development is expected to be in the future.